

WELLSPRING HOUSE, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

WELLSPRING HOUSE, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

C O N T E N T S

	<u>PAGE(S)</u>
INDEPENDENT AUDITOR'S REPORT	1-3
AUDITED FINANCIAL STATEMENTS:	
Statements of Financial Position	4
Statement of Activities <i>(with comparative totals for 2023)</i>	5
Statement of Functional Expenses <i>(with comparative totals for 2023)</i>	6
Statements of Cash Flows	7-8
Notes to Financial Statements	9-25
ADDITIONAL INFORMATION -	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26-27



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Wellspring House, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Wellspring House, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Wellspring House, Inc. as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent Wellspring House, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Wellspring House, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Wellspring House, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Wellspring House, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2024, on our consideration of Wellspring House, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Wellspring House, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wellspring House, Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Wellspring House, Inc.'s 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 21, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BJHC PC

Topsfield, Massachusetts
October 28, 2024

WELLSPRING HOUSE, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

	2024	2023
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 234,053	\$ 350,651
Program service fees receivable	542,982	291,525
Current portion of grants receivable and unconditional promises to give	159,034	108,183
Prepaid expenses	40,747	41,115
Deposits	5,107	-
Total current assets	<u>981,923</u>	<u>791,474</u>
PROPERTY AND EQUIPMENT - At cost	2,322,054	2,196,542
Less accumulated depreciation	<u>1,550,559</u>	<u>1,520,787</u>
Net property and equipment	<u>771,495</u>	<u>675,755</u>
OTHER ASSETS:		
Grants receivable and unconditional promises to give, net of current portion	170,000	170,000
Board designated endowment:		
Cash and cash equivalents	18,013	43,124
Investments	1,707,582	1,589,505
Endowment:		
Cash and cash equivalents	2,687	5,680
Investments	<u>156,286</u>	<u>135,002</u>
Total other assets	<u>2,054,568</u>	<u>1,943,311</u>
TOTAL ASSETS	<u>\$ 3,807,986</u>	<u>\$ 3,410,540</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Line of credit	\$ 275,000	\$ -
Current portion of term loans	20,969	17,281
Accounts payable and accrued expenses	213,856	136,569
Accrued payroll and benefits	<u>118,970</u>	<u>133,779</u>
Total current liabilities	628,795	287,629
LONG-TERM DEBT -		
Term loans	<u>11,002</u>	<u>83,509</u>
Total liabilities	<u>639,797</u>	<u>371,138</u>
NET ASSETS:		
Without donor restrictions:		
Undesignated	939,916	896,499
Designated by the Board for endowment	<u>1,706,991</u>	<u>1,595,734</u>
Total net assets without donor restrictions	2,646,907	2,492,233
With donor restrictions	<u>521,282</u>	<u>547,169</u>
TOTAL NET ASSETS	<u>3,168,189</u>	<u>3,039,402</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,807,986</u>	<u>\$ 3,410,540</u>

The accompanying notes are an integral part of these financial statements.

WELLSPRING HOUSE, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024
(with comparative totals for the year ended June 30, 2023)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL 2024	TOTAL 2023
OPERATING REVENUES AND OTHER SUPPORT:				
Contributions of cash and other financial assets	\$ 638,561	\$ 1,066,649	\$ 1,705,210	\$ 1,397,861
Fundraising events, net	92,882	-	92,882	73,866
Contributions of nonfinancial assets	193,886	-	193,886	187,631
Program service fees	1,406,537	-	1,406,537	1,204,313
Rental income	129,804	-	129,804	137,730
Other income	3,843	-	3,843	12,312
Net assets released from restrictions	1,092,536	(1,092,536)	-	-
Total operating revenues and other support	3,558,049	(25,887)	3,532,162	3,013,713
OPERATING EXPENSES:				
Program services:				
Family shelter	1,247,712	-	1,247,712	954,541
Affordable housing	72,742	-	72,742	194,173
Mediclerk	578,122	-	578,122	359,793
Community education	707,626	-	707,626	850,138
Total program services	2,606,202	-	2,606,202	2,358,645
Supporting services:				
General and administrative	563,672	-	563,672	294,875
Fundraising	467,256	-	467,256	415,988
Total supporting services	1,030,928	-	1,030,928	710,863
Total operating expenses	3,637,130	-	3,637,130	3,069,508
CHANGE IN NET ASSETS FROM OPERATIONS	(79,081)	(25,887)	(104,968)	(55,795)
NON-OPERATING ACTIVITIES:				
Realized and unrealized gain on investments	194,378	-	194,378	129,314
Interest and dividend income, net	39,377	-	39,377	34,553
Total non-operating activities	233,755	-	233,755	163,867
TOTAL CHANGE IN NET ASSETS	154,674	(25,887)	128,787	108,072
NET ASSETS AT BEGINNING OF YEAR	2,492,233	547,169	3,039,402	2,931,330
NET ASSETS AT END OF YEAR	\$ 2,646,907	\$ 521,282	\$ 3,168,189	\$ 3,039,402

The accompanying notes are an integral part of these financial statements.

WELLSPRING HOUSE, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024
(with comparative totals for the year ended June 30, 2023)

	Family Shelter	Affordable Housing	Mediclerk	Community Education	Total Program Services	General and Administrative	Fundraising	Total 2024	Total 2023
Personnel:									
Salaries	\$ 517,695	\$ 21,862	\$ 297,153	\$ 423,333	\$ 1,260,043	\$ 291,718	\$ 268,485	\$ 1,820,246	\$ 1,669,702
Fringe benefits	67,026	406	51,415	24,133	142,980	34,284	53,146	230,410	150,762
Payroll taxes	45,644	1,928	26,199	37,325	111,096	25,720	23,672	160,488	149,376
Total personnel expenses	630,365	24,196	374,767	484,791	1,514,119	351,722	345,303	2,211,144	1,969,840
Contractual services	219,390	-	25,025	996	245,411	89,248	22,606	357,265	351,301
Contributions of nonfinancial assets	56,613	-	81,000	42,749	180,362	3,192	10,332	193,886	187,631
Scholarship/client assistance	82,527	-	38,310	67,856	188,693	-	-	188,693	87,501
Repairs and maintenance	32,077	19,829	-	23,333	75,239	19,446	19,446	114,131	79,409
Network expense	24,869	2,822	12,156	24,590	64,437	4,764	6,973	76,174	29,550
Depreciation	15,365	9,944	2,582	19,079	46,970	13,198	15,662	75,830	72,292
Equipment	52,936	7	8,777	2,875	64,595	4,747	3,008	72,350	6,950
Rent	55,571	-	-	6,000	61,571	-	-	61,571	-
Professional fees	3,893	2,149	2,214	2,577	10,833	32,823	1,611	45,267	35,495
Insurance	12,496	812	7,498	9,996	30,802	6,248	6,248	43,298	41,896
Special events costs	-	-	-	-	-	-	40,878	40,878	44,619
Utilities	12,941	9,791	-	2,787	25,519	2,322	2,322	30,163	33,234
Miscellaneous	8,388	-	292	600	9,280	7,538	6,937	23,755	20,794
Subscriptions/program material	3,186	23	4,024	5,171	12,404	3,884	6,159	22,447	15,614
Program supplies	-	-	15,985	1,942	17,927	-	-	17,927	35,734
Food	9,487	-	1,054	2,463	13,004	1,146	2,594	16,744	16,472
Telephone and internet	6,005	1,360	1,082	2,763	11,210	2,183	1,896	15,289	12,267
Advertising	4,850	-	571	1,955	7,376	7,355	-	14,731	645
Printing and postage	753	30	568	779	2,130	754	9,260	12,144	8,667
Office expense	1,194	7	2,045	2,516	5,762	3,659	1,238	10,659	14,266
Household supplies	6,183	1,536	64	1,120	8,903	789	843	10,535	4,838
Travel	6,984	-	28	424	7,436	37	59	7,532	7,837
Interest expense	-	-	-	-	-	7,471	-	7,471	12,352
Bank charges	-	-	-	-	-	296	4,115	4,411	6,063
Staff training	1,139	236	80	264	1,719	850	644	3,213	10,000
Participant expenses	500	-	-	-	500	-	-	500	8,860
Total expenses by function	1,247,712	72,742	578,122	707,626	2,606,202	563,672	508,134	3,678,008	3,114,127
Less expenses included with revenues on the statement of activities - Special event costs	-	-	-	-	-	-	(40,878)	(40,878)	(44,619)
Total expenses included in the expense section on the statement of activities	\$ 1,247,712	\$ 72,742	\$ 578,122	\$ 707,626	\$ 2,606,202	\$ 563,672	\$ 467,256	\$ 3,637,130	\$ 3,069,508

The accompanying notes are an integral part of these financial statements.

WELLSPRING HOUSE, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 128,787	\$ 108,072
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	75,830	72,292
Realized and unrealized gains on investments	(194,378)	(129,314)
Cash provided by (used in) changes in:		
Program service fees receivable	(251,457)	(44,860)
Grants receivable and unconditional promises to give	(50,851)	123,448
Prepaid expenses	368	(3,433)
Deposits	(5,107)	-
Accounts payable and accrued expenses	77,287	16,672
Accrued payroll and benefits	(14,809)	39,425
	<u>(234,330)</u>	<u>182,302</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(234,330)</u>	<u>182,302</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(171,570)	(24,244)
Proceeds from sale of investments	531,155	476,971
Purchases of investments	(476,138)	(478,061)
	<u>(116,553)</u>	<u>(25,334)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(116,553)</u>	<u>(25,334)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on term loans	(68,819)	(16,265)
Payments on capital lease obligations	-	(1,872)
Advances from (payments to) line of credit	275,000	(150,000)
	<u>206,181</u>	<u>(168,137)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>206,181</u>	<u>(168,137)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(144,702)	(11,169)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>399,455</u>	<u>410,624</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 254,753</u>	<u>\$ 399,455</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

WELLSPRING HOUSE, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023
(Continued)

	2024	2023
<u>CASH AND CASH EQUIVALENTS:</u>		
Cash and cash equivalents	\$ 234,053	\$ 350,651
Cash and cash equivalents - board designated endowment	18,013	43,124
Cash and cash equivalents - endowment	2,687	5,680
	<hr/>	<hr/>
Total cash and cash equivalents at end of year	<u>\$ 254,753</u>	<u>\$ 399,455</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid during the years for -		
Interest	\$ 7,471	\$ 12,352

The accompanying notes are an integral part of these financial statements.

WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

1. BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES:

Business Activity

Wellspring House, Inc. (the “Organization” or “Wellspring”) was incorporated on July 8, 1981 under the provisions of Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code. Wellspring has been classified as an organization which is not a private foundation under Section 509(a); accordingly, contributions made to this Organization qualify for the maximum charitable deduction for federal income tax purposes.

Wellspring’s activities are summarized within the following programs:

Family Shelter:

Since 1981, Wellspring’s emergency shelter program has housed nearly 850 homeless families. Case management services are provided to each family to help them secure permanent, affordable housing; ensure that children are enrolled in school or daycare; and that basic needs such as food, clothing, and healthcare are met. Volunteers and community groups provide additional resources including celebrating special occasions such as birthdays and providing household items as families move out of shelter into their new homes.

Wellspring launched a Homelessness Prevention and Stabilization team in March 2017. The purpose of this team is to provide support, financial coaching, and linkages to community resources during the 12-24 months following a period of homelessness or other housing crisis. Stabilization services ensure that families remain safely housed, with key social and health services in place, and parents are working on strengthening the financial health of the family, primarily by increasing earned income. Case managers help to connect parents with education and workforce opportunities in order to pursue employment with higher wages.

In addition to case management, Wellspring continued to operate its Homelessness Prevention Line and Homelessness Prevention Fund, providing resources and referrals to families on Cape Ann who are experiencing a potential housing crisis, as well as for any North Shore families currently participating in a Wellspring program. Each year Wellspring fields more than 800 calls to the Homelessness Prevention Line and awards one-time grants to assist with housing or utility costs.

Wellspring continues to be a contractor for DHCD with partial services sub-contracted to Lynn Housing and Neighborhood Development (LHAND) to provide “Front Door Diversion” crisis services to families facing the threat of homelessness. Services are provided through the access point of the state of Massachusetts’ centralized Emergency Assistance Shelter phone line, where families are deemed eligible for “Emergency Assistance” (EA). As a result of the Diversion program, eligible families remain safely housed in rental units in their home communities instead of experiencing homelessness and entering the state family shelter system.

(Continued)

WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

1. BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued):

Affordable Housing:

Since 1987 Wellspring has owned and operated a multi-unit Single Room Occupancy property in downtown Gloucester that provides long-term housing for 11 low-income individuals. A part-time Resident Services Coordinator works with these tenants to assist them in connecting with community resources and maintain a safe, supportive residential setting.

MediClerk / Health Care Office Support Training:

The Health Care Office Support Training program (known as MediClerk) offers job training in partnership with Salem Hospital and prepares students for medical administrative positions. Wellspring has strong partnerships with North Shore Community College (NSCC), MassHire, and the Department of Transitional Assistance to attract interested candidates to the program, and provide higher education opportunities following the completion of MediClerk. Graduates of the program are able to receive up to 19 credits in NSCC's Medical Administrative Assistant Associate's Degree program, moving them further along in an educational path that will lead to higher wages. MediClerk celebrated its 20th anniversary in August 2022. Also in 2022, the Job Training Initiatives Team (of which MediClerk is a part), expanded with the addition of a health care career advisor. This has expanded our capacity to provide intensive career and educational advising to North Shore residents who are pursuing employment in any aspect of healthcare – whether through administrative or clinical roles.

Wellspring Community Education:

Wellspring's Career Pathways program is an educational advising and mentoring service that helps low-income young adult and adult students to develop informed and achievable educational plans linked to living wage jobs. Professional career and educational counselors, in conjunction with volunteer mentors, continue to support students for a minimum of 18 months. Through a close partnership with Gloucester High School, Wellspring Career Pathways staff provide career advising and counseling during the school day to Gloucester high school seniors and juniors throughout the school year.

Wellspring's English for Speakers of Other Languages (ESOL) program is offered in partnership with the Sawyer Free Library in Gloucester. Adult students participate in a combination of online and in-person classes at the Beginner, Advanced Beginner or Intermediate Levels to build English proficiency in comprehension, verbal expression, reading, and writing. Volunteer tutors and class assistants help to round-out the ESOL offerings to supplement the learning that takes place within formal class sessions.

The College Readiness (Adult Learning) program enables low-income young adults and adults to update math and English skills, and acquire new computer skills, while earning college credits at North Shore Community College (NSCC). Wellspring offers computer classes which help students learn Word, Excel and PowerPoint skills to update their resumes. Wellspring also offers a full College Readiness Program with both math and college writing classes offered two nights per week which helps students prepare for and pass the Accuplacer™ college placement exam. Upon successful completion of these free courses, students become eligible to receive credit at NSCC.

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WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

1. BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued):

Wellspring Community Education (Continued):

Each year Wellspring's Robert Clark Rogers Educational Opportunity Fund ("Bob Rogers Fund") makes awards ranging from \$500-\$2,000 to current students and graduates from Wellspring's education programs who have gone on to post-secondary educational opportunities.

Method of Accounting

The Organization's policy is to maintain its books and prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Classification and Reporting Net Assets

The Organization classifies net assets, revenues, gains and losses based on the existence or absence of donor or grantor-imposed restrictions. Consequently, net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions represent the portion of net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions. Additionally, gains and investment income are treated as unrestricted revenue unless specifically restricted by the donor or by law.
- Net assets with donor restrictions represent the portion of net assets subject to donor-(or certain grantor-) imposed restrictions. Certain donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates resources to be maintained in perpetuity. Donor-imposed restrictions are released and are reclassified to net assets without donor restrictions when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resources were restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Management's Review

In preparing these financial statements, the Organization's management has evaluated events and transactions for potential recognition or disclosure through October 28, 2024, the date the financial statements were available to be issued.

(Continued)

WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

1. BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued):

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2023, from which the summarized information was derived.

Adopted Accounting Pronouncements

The Organization adopted ASU 2106-13 *Financial Instruments – Credit Losses* (Topic 326) *Measurement of Credit Losses on Financial Instruments*. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets, such as the Organization's program service fees receivables. The adoption of this standard did not have material impact on the Organization's financial statements but did change how the allowance for credit losses is determined.

The Organization also adopted FASB ASC 606, *Revenue from Contracts with Customers*, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to clients in an amount equal to the consideration the entity receives or expects to receive. The new standard is implemented in the Organization's fiscal year 2024 statements.

Revenue Recognition

Contributions and grants are recorded as net assets without donor restrictions and net assets with donor restrictions depending on the existence and nature of any donor restrictions. Contributions are required to be recorded as receivables and revenues and the Organization is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, collection items, or promises to give.

Contributions and grants, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give- that is those with a measurable performance or other barrier and a right of return- are not recognized until the conditions on which they depend have been met. Contributions of assets other than cash are reported at their estimated fair value. Contributions and grants to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction, until the restrictions expire, at which time net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Revenues related to special events hosted by the Organization are generally recognized when the event takes place. Special event revenue is shown net of direct costs of benefits to donors.

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WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

1. BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued):

Revenue Recognition (Continued)

The Organization recognizes revenues from program service fees when services are provided to the Organization's clients and in an amount that reflects the consideration the Organization expects to be entitled to in exchange for services using the following steps: (1) identification of the contract; or contracts with a client, (2) identification of performance obligations in the contracts, (3) determine the transaction price, (4) allocation of the transaction price to the performance obligations in the contract and (5) recognition of revenue when or as the Organization satisfies the performance obligations. Program service fees are associated with its Family Shelter, Affordable Housing, Mediclerk, and Community Education programs. The majority of the funding for these programs comes from The Commonwealth of Massachusetts contractual funding.

Rental income for the Single Room Occupancy property is recognized on the accrual basis. The Gloucester Housing Authority approves and manages the Section 8 and the Massachusetts Rental Voucher Property subsidies for this program. The rental income required to be paid by the tenant is based on a formula prescribed by the Gloucester Housing Authority at agreed upon rates

Contributions of Nonfinancial Assets

The Organization maintains a policy whereby the value of the donated goods and services which require a specialized skill and/or which would have otherwise been purchased by the Organization are recognized as revenue on the statements of activities and are listed as expenses on the statements of functional expenses, or as direct costs of fundraising events. Donations of equipment and goods which meet the criteria of the Organization's capitalization policy are capitalized and depreciated pursuant to the policy described above.

Functional Expenses

The Organization allocates expenses on a functional basis amongst its programs and supporting services. Expenses that can be identified with a specific program or supporting service are allocated directly to those programs. The cost of providing for the programs and other activities has been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Expenses common to several functions are allocated in accordance with the Organization's indirect costs allocation plan. Supporting services are those costs related to operating and managing the Organization's programs on a day-to-day basis. Supporting services have been sub-classified as follows:

- General and administrative - includes all activities related to the Organization's internal management and accounting for program services.
- Fundraising - includes all activities related to maintaining contributor information, donor relations and recognition events, writing grant proposals, distribution of materials, and other similar projects related to the procurement of funds for the Wellspring House, Inc. programs. Fundraising expenses also include the indirect costs of special fundraising events, while direct costs are netted against event proceeds.

Allocation of functional expenses is based on management's discretion, time studies and estimates. These variables may change from year to year. As a result, there may be a fluctuation in the comparative presentation of data from year to year

(Continued)

WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

1. BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued):

Cash and Cash Equivalents

The Organization considers all liquid investments with a maturity of three months or less to be cash or cash equivalents.

Program Service Fees Receivable and Allowance for Credit Losses

Program service fees receivable represent amounts which are due from state and municipal agencies. The Organization uses historical loss information based on the aging of receivables as the basis to determine expected credit losses for program service fees receivables and believes that the composition of program service fees receivables at year-end is consistent with historical conditions as credit terms and practices and the client base has not changed significantly. Management does not believe the Organization is likely to experience higher credit losses than historically experienced. Management did not establish an allowance for credit losses for the years ended June 30, 2024 and 2023. It is the Organizations policy to charge off uncollectible program service fees receivables when management determines the receivable will not be collected.

Grants Receivable and Unconditional Promises to Give

Grants receivable and unconditional promises to give are classified as current if they are scheduled for payment within one year, and non-current when the expected payment date exceeds one year. These amounts are considered fully collectible by management, and consequently, these financial statements do not contain a provision for uncollectible unconditional promises to give. Therefore, if unconditional promises to give become uncollectible, they will be charged as an expense when that determination is made. For the years ended June 30, 2024 and 2023, there were no unconditional promises to give that were considered uncollectible and no bad debts arising from grant commitments.

Cash and Cash Equivalents Restricted for Board Designated and Endowment

Restricted board designated and endowment cash represents cash restricted for expenditures as outlined in the Endowment policies.

Investments

The Organization has adopted accounting principles generally accepted in the United States of America and established a framework for measuring fair value and provided expanded disclosures about fair value measurements. Under accounting principles generally accepted in the United States of America, fair value refers to the price that would be received to sell an asset or to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. It clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. In support of this principle, generally accepted accounting principles in the United States of America establishes a fair value hierarchy that prioritizes the information used to develop those assumptions.

(Continued)

WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

1. BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued):

Investments (Continued)

Investments measured at fair value are classified and disclosed in one of the following categories:

Level I: Quoted prices are available in active markets for identical investments as of the reporting date.

Level II: Pricing inputs are other than quoted prices in active markets of comparable investments, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level III: Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment.

Investments include listed cash and cash equivalents and equity or debt instruments which are publicly traded, and whose fair value is therefore classified and disclosed as Level I. Corporate and government bonds are actively traded and are determined by the closing bid price on the last business day of the fiscal year and disclosed as Level II. Mutual funds are determined by the published net asset value per unit at the end of the last trading day of the fiscal year, which is the basis for transactions at that date and disclosed as Level I. Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Purchases and sale of securities are recorded on a trade-date basis. Investment income, primarily interest and dividends, is recorded when earned and considered available for unrestricted use unless otherwise restricted by the donor. Investment fees are offset against investment income. Realized and unrealized gains and losses are determined on the basis of specific identification and recognized on a trade-date basis.

Property and Equipment

Property and equipment are recorded at cost. Repairs and maintenance are charged to expense as incurred and improvements are capitalized. Acquisitions of property and equipment in excess of \$5,000 are capitalized. Upon retirement or sale, the asset cost and related accumulated depreciation are removed from the accounts and any gain or loss is credited to or charged against income. Depreciation is computed over the assets' estimated useful lives using the straight-line method.

<u>Assets</u>	<u>Estimated Useful Lives in Years</u>
Land Improvements	20-30
Buildings	30
Building improvements	10-20
Furniture and equipment	3-7
Software development	5

(Continued)

WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023
(Continued)

1. BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued):

Impairment of Long-Lived Assets

In accordance with accounting principles generally accepted in the United States of America, the Organization has given consideration to the impairment or of long-lived assets, in its presentation of these financial statements. As of June 30, 2024, the Organization has not recognized any reduction in the carrying value of its property.

Income Taxes and Uncertainty of Income Taxes

Wellspring House, Inc. is a not-for-profit organization, qualifying under IRS Section 501(c)(3), and is exempt from federal and state income taxes, however, if the Organization had unrelated business income it would be taxable.

The Organization is required to report uncertain tax positions, related interest and penalties. As of June 30, 2024, the Organization determined that there were no material uncertain tax positions to report.

For the years ended June 30, 2024 and 2023, no provision for income taxes has been made. The Organization is subject to audit by tax authorities generally for three years after its returns were filed. The Organization believes that it has appropriate support for the positions taken on its tax returns.

Advertising

Wellspring House, Inc. expenses advertising costs as incurred. Total advertising costs were \$14,731 and \$645 for the years ending June 30, 2024 and 2023, respectively.

2. LIQUIDITY AND AVAILABILITY:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Statement of Financial Position date, comprise the following:

	2024	2023
Cash and cash equivalents	\$ 234,053	\$ 350,651
Program service fees receivable	542,982	291,525
Current portion of grants and unconditional promises to give	159,034	108,183
Grants receivable and unconditional promises to give, net of current portion	170,000	170,000
Cash and cash equivalents - Board designated endowment	18,013	43,124
Investments - Board designated endowment	1,707,582	1,589,505
Cash and cash equivalents - Endowment	2,687	5,680
Investments - Endowment	156,286	135,002
	<u>2,990,637</u>	<u>2,693,670</u>
Less net assets with donor restrictions	521,282	547,169
	<u>\$ 2,469,355</u>	<u>\$ 2,146,501</u>

(Continued)

WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

2. LIQUIDITY AND AVAILABILITY (Continued):

The Organization's endowment funds consist of donor restricted endowments and funds designated by the Board as endowments. Income from donor restricted endowments is unrestricted and available for general use. Donor restricted endowment funds are not available for general expenditure.

The Board designated endowment of \$1,706,991 is subject to a Board of Director's annual spending rate policy. Although the Organization does not intend to spend from their board designated endowment, these amounts could be made available if necessary.

The Organization has \$300,000 line of credit available to assist operationally as needed. There is \$25,000 available at June 30, 2024 for short-term working capital.

3. GRANTS RECEIVABLE AND UNCONDITIONAL PROMISES TO GIVE:

At June 30, 2024 and 2023, grants receivable and unconditional promises to give were comprised of the following:

	2024	2023
Receivable in less than one year	\$ 159,034	\$ 108,183
Receivable in one to five years	170,000	170,000
Total grants and unconditional promises to give	<u>\$ 329,034</u>	<u>\$ 278,183</u>

At June 30, 2024 and 2023 the discounted net present value of long-term grants and pledges receivable approximate the realizable value.

4. BOARD DESIGNATED AND ENDOWMENT INVESTMENTS:

As of June 30, 2024 and 2023, investments cost and unrealized gains and losses consisted of the following:

	June 30, 2024		June 30, 2023	
	Cost	Market Value	Cost	Market Value
Cash and cash equivalents	\$ 20,700	\$ 20,700	\$ 48,804	\$ 48,804
Government bonds	199,886	190,591	87,987	76,753
Corporate bonds	350,977	344,928	514,689	476,215
Bond mutual funds	-	-	6,985	6,448
Exchange traded funds	841,265	1,328,349	768,958	1,165,091
	<u>\$ 1,412,828</u>	<u>\$ 1,884,568</u>	<u>\$ 1,427,423</u>	<u>\$ 1,773,311</u>

(Continued)

WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

4. BOARD DESIGNATED AND ENDOWMENT INVESTMENTS (Continued):

Based on the fair value hierarchy levels, fair value measurements are classified as follows:

	June 30, 2024			
	Level I	Level II	Level III	Total
Cash and cash equivalents	\$ 20,700	\$ -	\$ -	\$ 20,700
Government bonds	-	190,591	-	190,591
Corporate bonds	-	344,928	-	344,928
Bond mutual funds	-	-	-	-
Exchange traded funds	1,328,349	-	-	1,328,349
	<u>\$ 1,349,049</u>	<u>\$ 535,519</u>	<u>\$ -</u>	<u>\$ 1,884,568</u>

	June 30, 2023			
	Level I	Level II	Level III	Total
Cash and cash equivalents	\$ 48,804	\$ -	\$ -	\$ 48,804
Government bonds	-	76,753	-	76,753
Corporate bonds	-	476,215	-	476,215
Bond mutual funds	6,448	-	-	6,448
Exchange traded funds	1,165,091	-	-	1,165,091
	<u>\$ 1,220,343</u>	<u>\$ 552,968</u>	<u>\$ -</u>	<u>\$ 1,773,311</u>

The portfolio is diversified by type of investment and industry concentration so that no individual investment or a group of investments represent a significant concentration of market risk.

Investment income for the years ended June 30, 2024 and 2023 is comprised of the following:

	2024	2023
Interest and dividends, net	\$ 39,377	\$ 34,553
Realized gain on investments	78,206	56,579
Unrealized gain on investments	116,172	72,735
	<u>\$ 233,755</u>	<u>\$ 163,867</u>

Investment fees of \$9,284 and \$8,403 for the years ended June 30, 2024 and 2023, respectively were offset against interest and dividend income.

(Continued)

WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023
(Continued)

5. PROPERTY AND EQUIPMENT:

At June 30, 2024 and 2023, property and equipment was comprised as follows:

	2024	2023
Land	\$ 83,957	\$ 83,957
Land improvements	248,142	248,142
Buildings	790,783	778,923
Building improvements	1,014,481	977,181
Furniture and equipment	154,691	78,339
Software development	30,000	30,000
	<u>2,322,054</u>	<u>2,196,542</u>
Less accumulated depreciation	<u>1,550,559</u>	<u>1,520,787</u>
Property and equipment - net	<u>\$ 771,495</u>	<u>\$ 675,755</u>

Depreciation of property and equipment was \$75,830 and \$72,292 for the years ended June 30, 2024 and 2023, respectively.

6. TERM LOANS:

At June 30, 2024 and 2023, long-term debt was comprised as follows:

	2024	2023
Real estate mortgage payable - bank, secured by real estate at Essex Avenue Gloucester, Massachusetts, monthly payments of \$1,779, including interest at 6.55%, matures December 25, 2025	\$ 30,342	\$ 98,100
Assessment for sewer betterment - City of Gloucester, annual payments of \$1,013 at an annual interest rate of 1.56%, matures May, 2026	<u>1,629</u>	<u>2,690</u>
	31,971	100,790
Less - current portion of term loans	<u>20,969</u>	<u>17,281</u>
Term loans, net of current portion	<u>\$ 11,002</u>	<u>\$ 83,509</u>

Aggregate annual maturities of long-term debt are as follows:

June 30, 2025	\$ 20,969
2026	11,002

The Organization's mortgage loan agreement with its lender provides for restrictive covenants relating to compliance with certain administrative and financial matters.

(Continued)

WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

6. TERM LOANS (Continued):

The Organization also has a secured line of credit agreement with a bank with a maximum availability of \$300,000. Loans are collateralized by a second mortgage on the Chestnut Street, Essex Avenue and Washington Street properties, as well as all equipment, appliances, furnishings and fixtures therein. The agreement provides that any borrowings are due on demand and bear interest at the prevailing prime lending rate plus 1% (9.5% as of June 30, 2024). \$275,000 was outstanding on this agreement at June 30, 2024. There was no amount outstanding on this agreement at June 30, 2023.

7. DESIGNATIONS AND RESTRICTIONS OF NET ASSETS:

Board Designated Endowment Fund:

During fiscal year 1998, the Board of Directors established the Wellspring House, Inc. Endowment Fund, an unrestricted, board designated fund. An Endowment Policy was adopted and a committee was appointed to invest the funds. The Board of Directors determines the use of the funds on an annual basis, based on market conditions and the current needs of the Organization. The Robert Clark Rogers Education Opportunity Fund is a special fund within the Board Designated Endowment Fund, which was established to support Wellspring's education mission to include in-house education programs, research and teaching efforts, as well as educational assistance to program participants.

To satisfy its rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). All securities in the Endowment will be invested in securities that are traded on a United States exchange. The Organization maintains a diversified portfolio of funds across both equity-based and fixed income investments to achieve its long-term objectives within prudent risk constraints. The Organization's Board of Directors will establish its spending policy annually.

As of June 30, 2024 and 2023, the aggregate balance of the Board Designated Endowment Fund was \$1,706,991 (of which \$327,971 represents the Robert Clark Rogers Education Opportunity Fund) and \$1,595,734 (of which \$326,762 represents the Robert Clark Rogers Education Opportunity Fund), respectively, which is held in, government and corporate bonds, mutual funds, exchange traded funds and cash equivalents.

Endowment Fund:

During the year ended June 30, 2018, the Organization received an Endowment contribution from a donor in the amount of \$123,577. The endowment agreement states that all earnings from the gift corpus will be unrestricted and may be used to support the operations of the Organization, including without limitation in programmatic expenses, operational expenses and capital improvements. In the event that Wellspring no longer provides its program services to the community, the donor has specified that the corpus be awarded to a donor designated not-for-profit organization.

The Organization has adopted the same endowment policy as the Board Designated Endowment Fund for this gift.

(Continued)

WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023
(Continued)

7. DESIGNATIONS AND RESTRICTIONS OF NET ASSETS (Continued):

Composition of and changes in endowment net assets for the years ended June 30, 2024 and 2023 were as follows:

	Without Donor Restrictions 2024	With Donor Restrictions 2024	Total 2024
Endowment Fund, beginning of year	\$ 1,595,734	\$ 177,577	\$ 1,773,311
Investment return:			
Investment income	113,063	-	113,063
Net appreciation	116,172	-	116,172
Contributions and designations	-	-	-
Amounts appropriated for expenditure	(117,978)	-	(117,978)
Endowment Fund, end of year	<u>\$ 1,706,991</u>	<u>\$ 177,577</u>	<u>\$ 1,884,568</u>
	Without Donor Restrictions 2023	With Donor Restrictions 2023	Total 2023
Endowment Fund, beginning of year	\$ 1,522,985	\$ 177,577	\$ 1,700,562
Investment return:			
Investment income	89,764	-	89,764
Net appreciation	72,735	-	72,735
Contributions and designations	250	-	250
Amounts appropriated for expenditure	(90,000)	-	(90,000)
Endowment Fund, end of year	<u>\$ 1,595,734</u>	<u>\$ 177,577</u>	<u>\$ 1,773,311</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). At June 30, 2024, the Endowment fund was not underwater.

(Continued)

WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023
(Continued)

7. DESIGNATIONS AND RESTRICTIONS OF NET ASSETS (Continued):

Net Assets with Donor Restrictions:

Net assets with donor restrictions include unexpended contributions and grants restricted by donors for the following purposes at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Restricted for future use	\$ 384,000	\$ 304,000
Endowment	123,577	123,577
Family shelter	-	6,580
Education programs	13,705	20,012
Homelessness Prevention Fund	-	93,000
	<u> </u>	<u> </u>
Total	<u>\$ 521,282</u>	<u>\$ 547,169</u>

Net assets released from net assets with donor restrictions were as follows for the years presented:

	<u>2024</u>	<u>2023</u>
Education programs	\$ 190,826	\$ 257,970
Homelessness prevention fund	204,812	103,186
Mediclerk	325,750	139,440
Time restrictions elapsed	130,000	130,000
Family shelter	241,148	27,981
Capital improvements	-	2,388
Freeman Family	-	22,092
	<u> </u>	<u> </u>
Total	<u>\$ 1,092,536</u>	<u>\$ 683,057</u>

8. GOVERNMENT CONTRACTS:

Wellspring House, Inc. is a party to the purchase of service contracts with the Massachusetts Department of Housing and Community Development (DHCD) to provide emergency shelter and related services to homeless families referred by the DHCD. The primary contract is administered on a unit rate basis and accordingly, the funding source is billed as services are provided. Unrestricted program service fees, and the related receivable are recorded in the period during which the costs were incurred and services were delivered. Total billings under the primary DHCD shelter contract amounted to \$979,578 and \$301,253 for the years ended June 30, 2024 and 2023, respectively.

During the year ended June 30, 2023, Wellspring received a second component to its shelter contract to fund rehousing and social service case management work. Funds received under this cost reimbursement contract amounted to \$619,645 for the year ended June 30, 2023. There was no second component to the shelter contract for the year ended June 30, 2024.

(Continued)

WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

8. GOVERNMENT CONTRACTS (Continued):

Wellspring House, In. is also a party to the purchase of service contracts with the Massachusetts Department of Transitional Assistance (DTA) to provide training, education and job search services to low-income families receiving Transitional Aid for Families with Dependent Children (TAFDC) from DTA. The primary contract is administered on a unit rate basis and accordingly, the funding source is billed as services are provided. Unrestricted program service fees, and the related receivable are recorded in the period during which costs were incurred and services were delivered. Total billings under the DTA contract amounted to \$126,613 and \$56,028 for the years ended June 30, 2024 and 2023, respectively.

Total revenues arising from the above contracts amounted to \$1,106,191 and \$976,926, representing 31% and 32% of total support and revenues for the years ended June 30, 2024 and 2023, respectively.

9. FUNDRAISING ACTIVITIES:

The Organization sponsors various special events to generate contributions as well as to gain public awareness for its programs and charitable purpose. Contributions from fundraising events are reported on the Statement of Activities net of the direct costs of the events, while indirect costs and the costs associated with direct mail campaigns and annual appeal letters are reported as fundraising expenses in the statements of functional expenses.

The results of fundraising events are summarized below:

	Gross Proceeds	Direct Costs	Net Event Revenues	
			2024	2023
Spring Celebration	\$ 129,373	\$ 40,878	\$ 88,495	\$ 72,437
Holiday Store	4,387	-	4,387	943
New Years Eve Event	-	-	-	486
Total	<u>\$ 133,760</u>	<u>\$ 40,878</u>	<u>\$ 92,882</u>	<u>\$ 73,866</u>

10. CONTRIBUTIONS OF NONFINANCIAL ASSETS:

For the years ended June 30, 2024 and 2023, the Organization recognized the following contributions of nonfinancial assets in its financial statements:

	2024	2023
Volunteer services	\$ 62,375	\$ 44,514
Books and program supplies	50,511	45,182
Rent	81,000	81,000
Special events costs	-	16,935
Total	<u>\$ 193,886</u>	<u>\$ 187,631</u>

(Continued)

WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

10. CONTRIBUTIONS OF NONFINANCIAL ASSETS (Continued):

The Organization received 2,079 and 2,313 hours of donated services that supported program services and fundraising for the years ended June 30, 2024 and 2023. At \$30 and \$15-22 per hour, this amounts to \$62,375 and \$44,514 of additional contributions and expenses for program services and fundraising for the years ended June 30, 2024 and 2023, respectively. These hourly rates are the estimated value per volunteer time based upon teacher and staff rates. Wellspring received additional donations of goods and services that while significant, did not meet the recognition criteria, and therefore, were not recognized as contributions in the accompanying financial statements.

Contributed educational services are provided by specifically trained educators and counselors who assist in helping clients develop and enhance their skills through group workshops and webinars. Contributed educational services are used in program services and are recognized at fair value based on current rates for similar educational services.

Contributed books and program supplies are valued using estimated U.S. wholesale prices (principal market) of identical or similar products using pricing date under a “like-kind” methodology considering the goods’ condition and utility for use at the time of contribution. Contributed books and program supplies are used in the program services.

The Mediclerk program operates out of commercial space in Salem Massachusetts and is provided at no cost to the Organization. The Organization estimated the fair value based on publicly available comparable commercial rental listings for non-profits in the local real estate market. The contributed rent is used for program services.

During the year ended June 30, 2023, the Organization received donated event space which was used for the New Years Eve event. The estimated fair value was calculated by the business that donated the event space using their current labor rates and related fees. The contributed event space was used for the fundraising activities.

11. EMPLOYEE BENEFIT PLANS:

Wellspring House, Inc. offers a simple IRA retirement plan, to which it is required to match a portion of the employees’ elective deferral. The Organization matched \$31,145 and \$16,985 for the years ended June 30, 2024 and 2023, respectively.

12. CONCENTRATION OF CREDIT RISK:

Financial instruments which potentially subject the Organization to a concentration of credit risk consist of cash, investments and receivables. The Organization maintains its cash balances in various financial institutions. At times during the year, the Organization’s cash balances may exceed federally insured limits; however, the Organization’s cash balances are held at high credit quality financial institutions and management considers credit risk on cash balances to be low.

The Organization maintains an investment portfolio which includes cash equivalents and marketable securities in the form of professionally managed exchange traded funds. The Organization’s investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus, it is at least reasonably possible that changes in the near term could materially affect investment balances.

(Continued)

WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

12. CONCENTRATION OF CREDIT RISK (Continued):

Credit risk with respect to receivables is limited to the credit worthiness of the government entities, individuals and organizations from whom the amounts are due. The Organization has not experienced any losses on such accounts and credit risk is considered low.

13. SURPLUS REVENUE RETENTION:

In accordance with Massachusetts regulation 808 CMR 1.19(3), if a non-profit provider realizes an annual net surplus from the revenues and expenses associated with services provided to purchasing agencies which are subject to 808 CMR 1.00, the provider may retain, for future use, a portion of that surplus not to exceed 5% of said revenues. The cumulative amount of a provider's surplus account may not exceed 20% of the prior years' revenues from purchasing agencies. Surpluses may be used by the provider for any of its established charitable purposes, provided that no portion of the surplus is used for any non-reimbursable cost set forth in 808 CMR 1.15. As of June 30, 2024 and 2023, there were no excess surpluses due to the Commonwealth of Massachusetts.

14. SUBSEQUENT EVENT:

During the year ended June 30, 2024, Wellspring House, Inc. applied for the Employee Retention Credit (ERC) under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") signed into law on March 27, 2020 and the subsequent extension of the CARES act. As of the issuance date of this report, the credit is uncertain and can not be determined.



INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Wellspring House, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Wellspring House, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 21, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wellspring House, Inc.’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wellspring House, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wellspring House, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in black ink that reads "BJHC PC".

Topsfield, Massachusetts
October 28, 2024